Notes to the consolidated annual financial statements continued

for the year ended 30 September

36. Unconsolidated structures

IFRS 12 Disclosure of Interests in Other Entities, requires disclosures about information on the nature and extent of the group's interest in unconsolidated structured entities.

In 2008, the group entered into a broad-based black economic empowerment (B-BBEE) transaction.

Included in the transaction was the arrangements with the six strategic partners and three community service groups and the interest in these entities meets the definition of unconsolidated structured entities.

Details regarding these structures have been outlined below.

Strategic black partners

12 331 337 Barloworld ordinary shares were issued to six partners at par. These shares enjoyed full shareholder rights including voting and dividends.

The partners contributed R40 million in equity to a special purpose vehicle (SPV) and borrowed R994 million from two financial institutions.

These funds of R1 230 540 were on-lent to Barloworld. The Barloworld loans carried a fixed interest rate of 11.78% per annum and were repaid on 22 September 2015.

The loans from the financial institutions to the SPVs comprised a fixed rate loan of R726 million, repayable in fixed semi-annual instalments over seven years, and a subordinated floating rate loan of R268 million.

The loans reduced using the interest received on the loans to Barloworld and dividends received on the Barloworld shares. All the outstanding loans from the financial institutions were repaid on 22 September 2015.

As per the original transaction, at the end of the seven-year period on the final date of 23 October 2015, the six partners were obliged to sell the 12 331 337 Barloworld ordinary shares to Barloworld at par and to subscribe for 12 331 337 Barloworld ordinary shares at a subscription price of R179.69 per share. On 19 June 2015 Barloworld ordinary and preference shareholders voted in favour of proposed amendments to the 2008 B-BBEE transaction, amending that if the SPVs are not able to pay the full subscription price for the 12 331 337 Barloworld ordinary shares, then the SPVs will be obliged to subscribe for that number of Barloworld shares as is equal to the cash available from the loan structure to the SPVs on the subscription date divided by R179.69 per share. All of the restrictions imposed on the SPVs will then terminate.

The six partners may not sell or otherwise dispose of their shares during the seven-year "lock-in" period.

The shares held by the six partners were not included in issued shares for purposes of calculating basic earnings per share.

Dividends paid to these shareholders during the financial year are deducted from earnings attributable to ordinary shareholders and therefore impacts the earnings per share calculation.

The SPVs which hold the Barloworld shares and the loans are not considered to be subsidiaries and are not consolidated into Barloworld Limited group results.

Community service groups (CSGs)

2 153 676 Barloworld ordinary shares were issued to three CSGs at par. These shares enjoy full shareholder rights including voting and dividends.

As in the case of the strategic black partners, the CSGs contributed equity (R4.5 million) to SPVs and borrowed R176 million from the financial institutions.

Funds totalling R179 million were on-lent to Barloworld. The loans from the financial institutions comprised a fixed rate portion of R127 million and a floating rate portion of R49 million.

The terms and conditions of these loans and the loans to Barloworld are the same as those applying to the strategic black partners. Barloworld repaid the loan on 22 September 2015 and the CSGs repaid the financial institution loans on 22 September 2015.

As per the original transaction at the end of the seven-year "lock-in" period, the CSGs were obliged to sell these shares to Barloworld at par and to subscribe for 2 153 676 Barloworld ordinary shares at a subscription price of R179.69 per share. On 19 June 2015 Barloworld ordinary and preference shareholders voted in favour of proposed amendments to the 2008 B-BBEE transaction, amending that if the CSGs are not able to pay the full subscription price for the 2 153 676 Barloworld ordinary shares, then the CSGs will be obliged to subscribe for that number of Barloworld shares as is equal to the cash available from the loan structure to the CSGs on the subscription date divided by R179.69 per share. All of the restrictions imposed on the CSGs will then terminate.

The accounting treatment in respect of the shares held by the CSGs will be the same as that applied to the strategic black partners.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

36. Unconsolidated structures continued

Impact of amendment to the 2008 B-BBEE transaction

The amendments to the strategic black partner and community service group participants in the transaction resulted in a once-off IFRS 2 Share-based Payment charge of R155.8 million, arising from the termination of the obligation to subscribe for further shares in the original 2008 B-BBEE agreements as disclosed in note 32.5.

In addition the shareholders approved the issue of 450 000 additional shares to the SPVs and CSGs on 19 June 2015. A once-off IFRS 2 Share-based Payment charge of R42.6 million related to the issue of 450 000 additional shares were incurred as disclosed in note 32.5. The additional shares will be subject to a lock-in period of 12 months from the date of issue.

The carrying amounts of the loans, as described above, recognised in its financial statements relating to Barloworld's interests in the unconsolidated structured entities have been outlined below:

Consolidated statement of financial position	2015 Rm	2014 Rm	2013 Rm
Non-current liabilities			
Interest-bearing			1 207
Current liabilities			
Amounts due to bankers and short-term loans		1 231	24

37. Related party transactions

Various transactions are entered into by the company and its subsidiaries during the year with related parties. Unless specifically disclosed these transactions occurred under terms that are no less favourable than those entered into with third parties. Intra-group transactions are eliminated on consolidation.

The following is a summary of other transactions with related parties during the year and balances due at year end:

	Associates of the group Rm	Joint ventures in which the group is a venture Rm
2015		
Goods and services sold to		
Barzem Enterprise (Pty) Limited	7	
Bartrac Equipment		17
	7	17
Other transactions		
Other transactions		11
		11
Amounts due (to)/from related parties as at end of year		
Sizwe Car Rental (Pty) Limited	(3)	
	(3)	